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TAGS: [EFIN](#) [ETTC](#) [PREL](#) [GM](#) [IZ](#) [PK](#) [AF](#)

SUBJECT: TREASURY DEPUTY SECRETARY TALKS WITH GERMAN
FOREIGN MINISTER ON IRAN AND NORTH KOREA, TRANSATLANTIC
INITIATIVE, IRAQ COMPACT, ERP, AND PAKISTAN/AFGHANISTAN

Classified By: EMIN Robert F. Cekuta for reason 1.4 (b) and (d)

[11](#). (C) Summary -- Meeting with Treasury Deputy Secretary Kimmitt February 8, German Foreign Minister Frank-Walter Steinmeier discussed that day's EU Troika meeting with the Pakistani Foreign Minister, Iran and North Korea, Chancellor Merkel's transatlantic initiative, the Iraq Compact, and German plans regarding the future of Economic Recovery Program (ERP) funds. End Summary.

Pakistan/Afghanistan Developments

[12](#). (C) Steinmeier opened noting the EU Troika had a good set of meetings earlier that afternoon with Pakistan's Foreign Minister. The meeting followed the previous week's talks with Afghanistan's Foreign Minister and enabled the EU to see their different views of the border situation. The blame game between the two countries makes no sense, Steinmeier stated, and both could do more to control/restrict who is crossing the border. Steinmeier said it could be useful to invite both countries' foreign ministers to meet on the margins of the G-8 Foreign Ministers meeting in May, but only if the arrangements between the two countries were far enough along. While there are effective intelligence and military back channels between Afghanistan and Pakistan for dealing with the border situation, there is no communication or trust. More is required, Steinmeier continued, if the needed robust, long-term talks are to materialize. The German Foreign Minister added that his Pakistani counterpart confirmed the German view that the situation in southeast Afghanistan is more unstable than the Afghani had allowed. Following the discussion with the Pakistani FM on what the USG and World Bank are doing to promote development in the tribal areas, Steinmeier said the EU needs to look at what more they can do along these lines.

Iran and North Korea

[13](#). (C) Steinmeier appreciated Treasury Deputy Secretary Kimmitt's remarks noting Steinmeier's strong support in the GAERC to move implementation of UNSCR 1737 beyond the letter of the resolution. The German Foreign Minister noted the need for Russian support and said he had talked with Putin and the Russian Foreign Minister in December in Moscow about the UNSC resolution's importance. The Chinese Foreign Minister and his deputy were recently in Berlin and said they hoped it would be "a long time" before further UNSC action on Iran was needed. Steinmeier said he had to disappoint them on that front; further UNSC action would be necessary. He also noted the importance of keeping the UN Security Council together on Iran and of acting "in an astute way."

Steinmeier added there is movement within Iranian society and that we have to find ways, not just of going at Iran's leaders, but of reaching these elements within the country. He is interested in what Supreme National Security Council Secretary Larijani might announce in the coming days.

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¶14. (C) Noting the need for continued movement in implementing UNSCR 1737, Deputy Secretary Kimmitt noted that Javier Solana told him that full implementation of Resolutions 1695 and 1718 on North Korea had been impeded by an issue regarding implementation in Gibraltar. Treasury Deputy Secretary Kimmitt emphasized that he hoped this would not happen in the case of Iran and 1737. (Note: On the margins of the Munich Security Conference on February 10, German MFA State Secretary Silberberg told Deputy Secretary Kimmitt that the

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UK and Spain had reached an agreement such that implementation of sanctions could move forward, not only on North Korea but also on Iran. End Note.)

¶15. (C) Steinmeier asked Deputy Secretary Kimmitt about progress with North Korea. The Treasury Deputy Secretary noted that Six Party Talks had resumed that day and Treasury is also on track with its bilateral discussions with North Korea on Banco Delta Asia. The North Koreans had recently admitted for the first time that there had been illicit DPRK transactions conducted through the bank. Treasury Deputy Secretary Kimmitt emphasized that these discussions are

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taking place on a separate track from the Six Party Talks.

¶16. (C) Deputy Secretary Kimmitt said Germany should be careful not just at looking at what a German company exports, but also at who the parties in a transaction are on the Iranian side. Export credit guarantees should not make it easier for Iran to continue its illicit behavior by

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compensating for the greater risk such policies create. Steinmeier stated the German authorities look carefully at the contracting parties when determining whether to issue a license or export credit guarantee. German companies are doing less business with Iran, regardless of what guarantees they might be able to obtain from Hermes. The Minister said three major German companies had contacted him recently about how they should interact with Iran; he told them restraint should be the order of the day. Taking legal steps to halt credit guarantees or business, Steinmeier continued, will not take us any further in the right direction. It could even prove counter-productive. The Minister then noted figures showing a "disproportionate rise" in Iranian trade with India and China as Western trade with Iran decreases. Gas/oil exports could account for the change, but the German government is examining the situation further.

Chancellor's Transatlantic Initiative/Doha

¶17. (C) Expressing appreciation and strong support for Chancellor Merkel's transatlantic economic initiative, Deputy Secretary Kimmitt said it is important to look at what can be

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achieved by the April 30 U.S.-EU Summit and how the work can be carried forward after the German Presidency. While there is much to be done in Berlin and Washington, most of the ongoing work will need to be done by the Commission. Treasury Deputy Secretary Kimmitt noted as well the progress already made with the EU on financial market issues. Steinmeier said the WTO is the place to deal with tariff and other trade issues, but the initiative might be the setting for discussions on issues such as energy and climate. He

noted talks he had with Secretary Rice in December about working together on developing clean energy technologies. Turning further to the Doha Development Agenda, Steinmeier cited WTO Director General Lamy as saying the parties need to reach an agreement by the end of April.

Iraq Compact

18. (C) Deputy Secretary Kimmitt noted his recent meeting with the new UN Secretary General on moving ahead with the International Compact with Iraq. The UN is looking at holding a subministerial on the Compact in March, with a signing ceremony to take place a month or two later. It is important, he continued, that Germany see it as a key initiative and work to see it realized, including in helping convince the Gulf Arab states both to sign and to provide support and debt relief.

European Recovery Program

19. (C) Treasury Deputy Secretary Kimmitt raised German plans regarding the Economic Recovery Program (ERP) funds, noting the USG is looking at the proposed legislation to see if it comports with our legal agreements regarding how the funds will be used. It will be important to ensure as well that the funds do not become commingled with other funds in the Kreditanstalt fuer Wiederaufbau (KfW). The KfW holds shares in state-owned and formerly state-owned companies such as Deutsche Telekom, Deutsche Post and EADS. The German Foreign Minister said he understands the U.S. sensitivities on these points. The funds moved to the KfW would, Steinmeier stated, continue to be used for the agreed-upon purpose.

10. (U) Treasury Deputy Secretary Kimmitt has cleared this message.
TIMKEN JR